



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 10/24/2002

GAIN Report #NI2021

Nigeria

Exporter Guide

Annual

2002

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Report Highlights:

Opportunities exist for increased sales of U.S. high-value food products in Nigeria. U.S. exporters, however, need to overcome the negative image regarding this market which developed over 15 years of the country's military rule. Although the present democratically-elected GON's recent trade policies are generally unfavorable for imports, Post believes that in the long term, these could help U.S. food products to become more price competitive and increase their market share.

Includes PSD changes: No

Includes Trade Matrix: No

Annual Report

Lagos [NI2021], NI

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SECTION I. MARKET OVERVIEW

‘ Nigeria’s population is approximately 120 million and grows at about 3% per annum. The country also offers U.S. exporters a bonus market of more than 20 million consumers residing in neighboring countries. This is excellent potential for the sale of U.S. high-value consumer food products.

‘ Industry estimates of retail food sales in Nigeria during calendar 2001 averaged \$13 billion. This consists:

Type of Food Product	%
Imported High-Value Food Products (HVP)	25
Partly processed and packaged in Nigeria	33
Totally processed in Nigeria	07
Locally-produced foodstuffs, including: fresh fruits and vegetables, meat, and fish	45
Total	100

‘ HVP sales dropped 5 percent in 2001 and lower growth rates are anticipated for 2002 due mainly to the initiation in May 2001 of the dual import inspection policy. This inspection policy requires all imports to Nigeria to pass through two clearance inspections- i) a pre-shipment inspection (PSI) in the country of export by a GON-appointed PSI agent prior to shipment and, ii) a 100 percent destination inspection at Nigeria’s port of entry.

‘ The GON divided all countries into four zones and each zone assigned a PSI agent to handle PSI activities on its behalf. The United States belongs to Zone C which is assigned to Swede Control/Intertek. The shipper or exporter arranges for the PSI to be done.

‘ Importers report that Swede Control/Intertek in the U.S. do not cooperate with them to bend the rules especially, when they seek to minimize or avoid tariff payments through adjusting invoice values for their shipments. With import duties for processed foods running as high as 100 to 150 percent, many importers oftentimes, choose to ship their U.S. consignments to the EU countries where the consignments are re-inspected, re-documented and transshipped to Nigeria. Other importers also, ship their consignments to ports in neighboring countries where they enter the Nigerian market through a cross-border smuggling chain.

‘ Although the dual inspection aims to reduce/eliminate tariff avoidance and product concealment by importers, it slows down Nigeria’s import trade as it imposes additional costs and administrative time on imports. The GON has however, proposed to stop implementing the PSI from January 1, 2003 and, operate only destination inspection port clearance system.

The sale of imported HVP in Nigeria however, is likely to resume its upward trend due to:

- # A rapidly growing population.
- # Expatriate community, at 5 percent of the population, is growing and is reflecting increased foreign investors' migration in Nigeria.
- # The Nigerian consumer views U.S. food products as high-quality items and readily adapt U.S. tastes and preferences for snacks and convenience-type foods.
- # An expectation that the local agricultural and food processing sectors will remain inefficient due to lack of infrastructure, inadequate policies or implementation of some good policies on these sectors.
- # Cross-border smuggling activities remain and is likely to continue with GON's high tariff policies and inadequate domestic supplies to substitute imports.

' The EU along with Asian suppliers dominate the HVP export business in Nigeria. Although the U.S. share of the import market is growing, it remains low at 6 percent.

' With Nigerian food importers commenting that they prefer buying from European and Asian suppliers because these countries' export communities show greater understanding and cooperation regarding the special documentation needs of the Nigerian importer-community, Post believes that the new GON's destination inspection policy will remove this advantage and will, in the long term, make U.S. processed foods more price competitive in this market and will assist in market share gain for the United States if effectively enforced.

' U.S. exporters need to show interest in this market to benefit from abounding opportunities existing in Nigeria for increased sales of U.S. food products. To a large extent, this means developing business relationships with local importers. As trade relationship develops, the initial impression and reservations about doing business in this environment will be overcome.

' USDA/FAS has an office in Lagos, the commercial nerve-center of Nigeria. This USDA office maintains a database of Nigerian importers of food and agricultural products. It also, has programs that assist U.S. exporters to establish contacts with Nigerian importers as well as assist local importers to promote HVPs originating from the United States. U.S. exporters are urged to consult with the FAS office in Lagos, Nigeria before initiating business with potential importers.

Advantages and Challenges:

Advantages	Challenges
Nigeria's population of more than 120 million is growing at an annual rate of 3%.	Average per capita income is estimated at \$350.
There is massive rural-urban migration. Continued urbanization increases demand for imported HVPs.	U.S. food products are not readily available in Nigeria, are relatively unknown to local consumers and imports are not purchased with concessionary credit.
The Nigerian consumer's view of U.S. food products as high-quality items and a generally fast changing lifestyle and consumption pattern along the western cultures.	Shipment freights from the U.S. are significantly higher than those from the EU and Asian countries.
Nigerian consumers readily adapt U.S. tastes and preferences for snacks and convenience-type foods.	U.S. exporters are not as flexible as their EU and Asian counterparts regarding importer requests on packaging and documentation.
More Nigerian consumers now view shopping in supermarkets and convenience stores as cleaner, more enjoyable and time saving.	Infrequent direct U.S. to West Africa shipping routes. Transshipments, often made in the EU and recently in South Africa, result in added cost and longer shipping periods.
An increase in female employment and children attending schools and an increasing exposure especially, of the middle-and high-income groups, to commercial advertising for imported foods through international broadcasting, print media and the Internet.	The newly introduced destination inspection takes longer shipment and clearing time for lack of port clearance facilities.
Domestic food processing is underdeveloped. Expectations are high that the local food processing sector will remain inefficient and many of the imported HVPs do not have sufficient locally-produced substitutes.	Import duties for processed foods run as high as 75 percent but average about 45 percent. GON's ability to stop cross-border smuggling and under-valuation is suspect.
Approval of local banks for the USDA's GSM export credit programs and the extension of Supplier Credit Guarantee Program to Nigeria since 1999.	A negative view of Nigerian businesses among U.S. exporters.

GON's destination inspection policy will remove the advantage of under-valuation which Nigerian importers have allegedly received from other supplier-countries if well enforced.	Lack of freight consolidators in the U.S. to handle Nigerian importer ordering and shipping requirements.
U.S. grocery items entering Nigeria enjoy a bonus market of about 20 million from neighboring countries.	Most retail food outlets in Nigeria are family-owned and lack adequate capital for expansion and training.

SECTION II. EXPORTER BUSINESS TIPS

- ' Importer preference is evident for HVP with the following characteristics:
 - # Relatively small-sized products, prepared and packaged for one-time use.
 - # Bulk products that can be re-packaged locally.
 - # Perishable food products processed and packaged for long shelf life without refrigeration.
- ' All imported HVP must be registered with the National Agency for Food and Drugs Administration and Control (NAFDAC) to be legally importable into Nigeria.
 - # NAFDAC is the GON regulatory body for food product manufacturing, importation, advertisement and distribution in Nigeria.
 - # An application for the registration of a regulated product shall be made by the manufacturer. Foreign manufacturers, must be represented in Nigeria by a duly registered company which can be easily contacted to effect a product recall if necessary.
 - # NAFDAC considers the local importer to be acting as a representative of the foreign manufacturer. In practice, it is the local representative that handles/coordinates the registration process for imported foods.
 - # Please see FAIRS Report No: NI006 (Import Regulations) for details.
- ' The Nigerian Customs Service (NCS) is the GON agent for import duty collection.
 - # Import duty rates for HVPs run as high as 100 to 150 percent.
 - # All HVP imports are assessed at 5 percent Value Added Tax (VAT).
 - # The 5 percent VAT is on CIF value plus (+) import duty + port surcharge assessed at 7 percent of import duty + 1 percent of import duty (called Customs Service inspection charge).
- ' All HVP exported to Nigeria are subject to 100% destination inspection since May 2001, concurrently with pre-shipment inspection by approved GON agent. By January 1, 2003 only destination inspection will be in effect.
 - # Due in part to pressure from domestic manufacturers claiming that goods were being dumped in the country, duty reduction/avoidance practices, and allegations of improper foreign exchange activities, GON implemented 100 percent inspection regime for all imports.
 - # Importers of high-value food commodities however, reportedly still practice the customary duty reduction/avoidance practices. Every efficient Nigerian importer knows about 'how to make things happen'. Rules can be bent to move imports into Nigeria.
 - # The present customs clearance procedure, high tariff policies and lack of modern inspection/cargo handling

equipment at the Nigerian ports, still encourage importers to ship their goods to neighboring countries where they are easily transported by road to the Nigerian market.

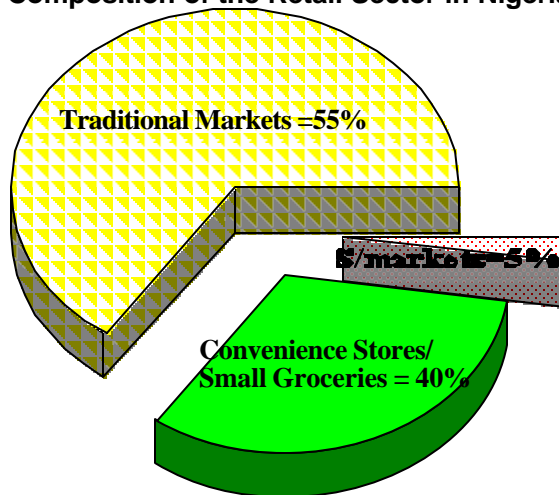
- # Nigerian borders are still porous for smuggling activities despite intensified efforts by the Nigerian Customs at the borders. Often, importers utilize the services of specialized firms (smugglers) to transport these food items into Nigeria across the borders.
- # A large proportion of HVP exported to other West African countries are for the Nigerian market. Nigerian importers may purchase these items directly from overseas suppliers or they may purchase from importers of neighboring countries.

Payment for Imports: The importer normally applies for his foreign exchange requirements from the Central Bank of Nigeria (CBN) by completing a 'Form M' document. The 'Form M' document requires importation details such as: value, volume, country of origin, etc.

- # The importer takes the 'Form M' to his bank which then bids on his behalf for the foreign exchange from the CBN. If the bid is successful, the bank opens a Letter of Credit for the importer.
- # Opening letters of credit in Nigeria is relatively expensive and can be a time-consuming affair. It is therefore, inconvenient to both Nigerian importers and their suppliers.
- # Most Nigerian importers therefore, prefer and utilize bank transfer method to pay their overseas suppliers; in which case they simply purchase foreign exchange through either the banks or the informal channels which saves them time and rigor associated with payments through the Form M.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Composition of the Retail Sector in Nigeria



The retail food sector in Nigeria consists of large supermarkets, convenience stores/small groceries, and traditional open air markets. These groups accounted for approximately 5 percent, 40 percent and 55 percent respectively, of total retail food sales.

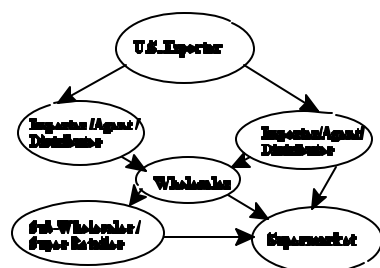
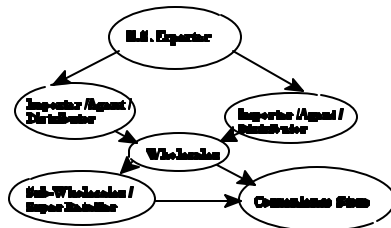
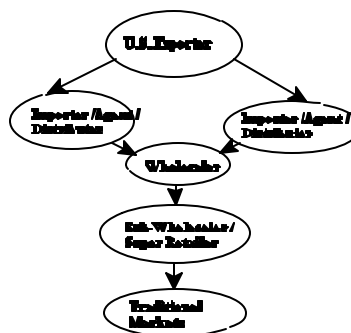
Industry estimates put proportion of all retail sales of imported consumer-ready food products in Nigeria in 2001 handled by Supermarkets at approximately 20 percent; Traditional markets merchandised at approximately 40 percent (by value) and; Convenience stores, 40 percent

The major players in Nigeria for merchandising of imported HVP are:

- # Importers
- # Agents/Sole Representatives
- # Wholesalers

Sub-Wholesalers/Super Retailers

Retailers

Distribution Flowchart for Supermarkets**Distribution Flowchart for Convenience Stores****Distribution Flowchart for Traditional Markets**

The following illustrates the interrelationship of these players in merchandising imported HVP in Nigeria:

Please see Post's Retail Sector Report for additional market profile information.

Hotels and food catering services represent a small but growing outlet for imported HVP. Sales potential in this area exists as the new democratic government brings forth an improved environment for business and tourism.

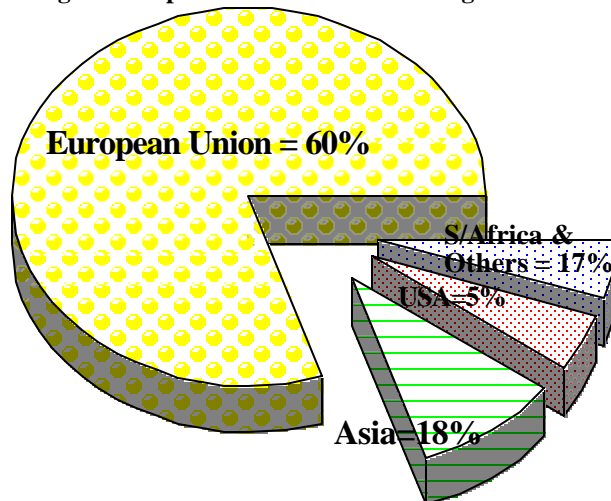
- # An increasing number of middle-aged Nigerians, especially educated professionals, prefer to meet their business contact at restaurants.
- # A small but growing number of restaurants offer food products and services demanded by these affluent consumers.
- # An increasing number of food caterers offering mobile service in homes, offices and at social gatherings.
- # Fast food establishments offer the greatest opportunity for sales growth.
- # Tourism is increasing. The democratic GON is attracting tourists and foreign investors prospecting businesses. For the first time, GON positioned tourism affairs and promotion at cabinet level.
- # Hotels meeting international standards are very few and hotel management tends to be poor.
- # Abuja, Lagos and Port Harcourt are the ideal cities in Nigeria for focusing our sales efforts to the HRI sector.

Domestic food processing is under-developed in Nigeria.

- # Capacity utilization within this sector averages no more than 35 percent.
- # Decaying infrastructure and inappropriate economic policies have impeded the growth of domestic food processing.

From industrial estimates, origin and supply of imported consumer-ready food products in 2001 are as follows:- EU(60%), Asia(18%), USA(5%) and South Africa & Others(17%) as illustrated below:

Origins of Imported Food Products in Nigeria



The low U.S. market share is partly attributed to higher freight costs and to a tendency of U.S. exporters to be less responsive to the Nigerian importer demands especially, on documentation and product specifications.

Nigerian importers:

- # Seek exclusive distribution agreements from exporters.
- # Demand for mixed container imports is increasing.
- # Want to minimize shipping costs and, therefore, seek the services of freight consolidators in the U.S. that can handle their ordering and shipment needs.
- # Still anticipate that their foreign suppliers will meet their desire to under-invoice in order to reduce import duty payments.

New-to-market U.S. food and agricultural products exporters should consider the following market entry strategies and tactics:

- # Contact the Agricultural Attache at the USDA/FAS office located in the American Consulate, Lagos-Nigeria for assistance in selecting a local distributor/agent or representative.
- # Appoint a local distributor/agent or representative in Nigeria to register the products with the appropriate GON regulatory bodies, to introduce their products, and to develop consumer demand.
- # Identify and sell through consolidators based in the U.S. who are serving the West African region.
- # Exhibit, especially at the FMI supermarket trade show in Chicago, which is well attended by Nigerian importers and where follow-up contacts can be made.

- # Offer food product shipment in mixed-lot containers.
- # Offer flexible shipping volumes.
- # Support activities for in-store and point-of-sale promotions in numerous small-sized outlets.
- # Adopt a pricing strategy which encourages importers to initiate buying activity with U.S. suppliers.
- # Send sample products and sales catalogs to Post during local promotions of U.S. high-value foods.
- # Request Post assistance in finding local importer-distributors for product registration and marketing.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

frozen poultry (Aaaa)*	pasta products (Aaa)	snack foods/ ice cream (Aaa)	breakfast cereals (Aaa)
alcoholic beverages (Aaa)	fruit preparations & juices (Aaaa)	fish products (Aaaa)	non-alcoholic beverages (Aa)
canned vegetables (A)	Frozen Prepared Foods (Aa)	spices (Aaa)	bakery and food preparation ingredients (Aaa)
cooking oil (Aa)	beer (Aa)	candy (A)	powdered beverages (Aaa)
tomato purees (A)	Franchise for Hotel, Restaurant & Fast Food products/services (Aaaa)	margarine (Aa)	wine (Aa)

A = Prospect

Aa = High Prospect

Aaa = Higher Prospect

Aaaa = Highest Prospect

Aaaa* = Highest Prospect but banned for imports

SECTION IV: POST CONTACT AND FURTHER INFORMATION:

1) Agricultural Affairs Office
 American Consulate General
 #2, Walter Carrington Crescent
 Victoria Island, Lagos-Nigeria
 Tel/Fax: 234 -1 - 261-3926, 7750830
 e-mail:- aglagos@fas.usda.gov

2) National Agency for Food & Drug Administration & Control (NAFDAC)

Plot 1057, OFF Moshood Abiola Road

By Oyo Road, Area 2

Garki, Abuja-Nigeria

Tel: 234-9-2346380-3

Website: www.NAFDAC.org

3) Nigeria Customs Service

Customs Headquarters

3-7, Abidjan Street

off Sultan Abubakar Way, Wuse Zone 3

Garki-Abuja-Nigeria

Tel: 234-9-5236394, 2534680

Fax: 234-9-5236394, 5234690

EXPORTER GUIDE

APPENDIX I. STATISTICS

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (\$Mil) / U.S. Market Share (%) ^{1/}	1,600/15
Consumer Food Imports From All Countries (\$Mil) / U.S. Market Share (%) ^{1/}	670 / 5
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%) ^{1/}	n/a
Total Population (Millions) / Annual Growth Rate (%)	120 / 3
Urban Population (Millions) / Annual Growth Rate (%)	65 / 3.1
Number of Major Metropolitan Areas ^{2/}	20
Size of the Middle Class (Millions) / Growth Rate (%) ^{3/}	5 / 2
Per Capita Gross Domestic Product (U.S. Dollars)	320
Unemployment Rate (%)	4.1
Per Capita Food Expenditures (U.S. Dollars)	246
Percent of Female Population Employed ^{4/}	n/a
Exchange Rate (US\$1 = 126 local currency) ^{5/}	126

Footnotes

1/ FAS' web-enabled UN Trade database.

2/ Population in excess of 1,000,000

3/ Middle class is the proportion of the population earning an average annual income of \$600 to \$2,000.

4/ Percent against total number of women (15 years old or above).

5/ Note, if necessary, any significant exchange rate movements since the previous year.

NOTE: This report does not include Tables B and C since the FAS web-enabled UN TRADE Database does not contain statistics for Nigeria.

